

## Part 1 – Agency Profile

### Agency Overview

The Idaho Endowment Fund Investment Board (the Board) is responsible for managing approximately \$1.5 billion of investments consisting of state endowment funds, the financial assets of the State Insurance Fund, and the assets of the Judges' Retirement Fund.

The Board consists of nine individuals appointed by the Governor, including one state senator, one state representative, a public education administrator, and six members of the public "knowledgeable and experienced in financial matters." The Board has four employees in its Boise office, including a Manager of Investments who oversees day-to-day operations. Periodic reports of the Board's activities and investment performance are made to the Board of Land Commissioners, the manager of the State Insurance Fund and representatives of the Supreme Court.

The Board's expenses are reimbursed by the endowment funds, the State Insurance Fund, and, beginning in FY 2008, the Judges' Retirement Fund.

### Core Functions/Idaho Code

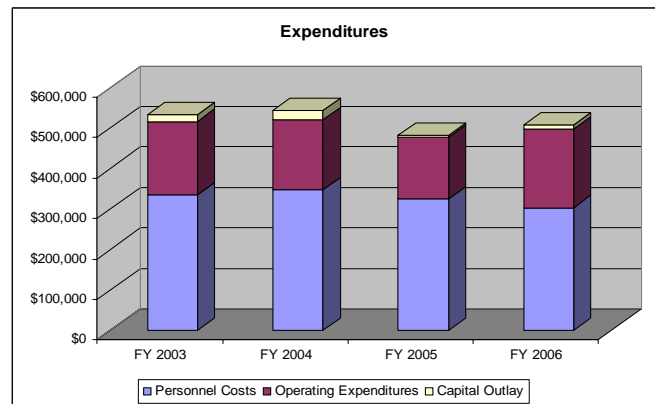
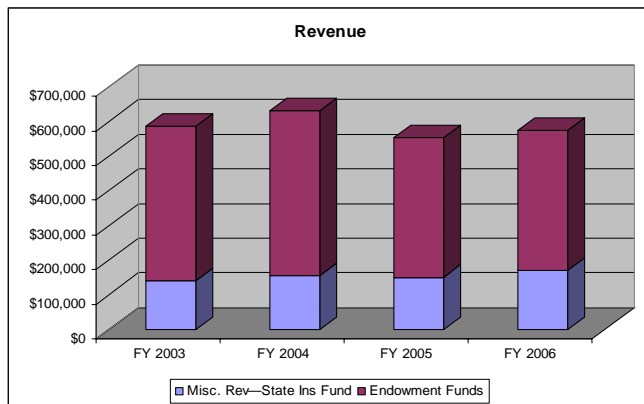
**Endowment Funds** – Essentially all revenues from state endowment lands are transferred to the Board for investment under policies established by the Board of Land Commissioners. In turn, the Endowment Fund Board, based on a Spending Policy approved by the Board of Land Commissioners, makes monthly distributions to thirteen beneficiaries, the largest of which is a public school fund. Annual distributions of income for a fourteenth beneficiary, the Capitol Commission, are determined by the Endowment Fund Board. (Title 57, Chapter 7, *Idaho Code*)

**State Insurance Fund** – The Board, under policies approved by the State Insurance Fund, invests the surplus and reserve funds established to pay worker's compensation claims insured by the State Insurance Fund. (Title 72, Chapter 9, *Idaho Code*)

**Judges' Retirement Fund** – Under supervision of the Supreme Court, the Board oversees investment of a fund to pay retirement compensation to Supreme Court justices and judges of the Court of Appeals and District Courts. (Title 1, Chapter 20, *Idaho Code*)

### Revenue and Expenditures:

Appropriated Revenue	FY 2003	FY 2004	FY 2005	FY 2006
Misc. Rev—State Ins Fund	\$141,400	\$154,400	\$151,000	\$170,800
Endowment Funds	446,200	475,900	402,000	404,000
<b>Total</b>	<b>\$587,600</b>	<b>\$630,300</b>	<b>\$553,000</b>	<b>\$574,800</b>
Expenditures	FY 2003	FY 2004	FY 2005	FY 2006
Personnel Costs	\$335,400	\$347,900	\$324,700	\$303,584
Operating Expenditures	181,500	172,000	153,600	\$193,886
Capital Outlay	17,500	24,600	5,200	\$11,238
<b>Total</b>	<b>\$534,400</b>	<b>\$544,500</b>	<b>\$483,500</b>	<b>\$508,708</b>



### Profile of Cases Managed and/or Key Services Provided:

Cases Managed and/or Key Services Provided	FY 2003	FY 2004	FY 2005	FY 2006
<b>Key Financial Statistics</b>				
Endowment Distributions to Beneficiaries*	\$ 56,981,500	\$ 55,105,000	\$ 37,395,000	\$ 35,742,900
Revenue from Endowment Lands	51,502,000	63,893,000	57,493,000	65,856,563
Income from Investments**	15,306,000	17,062,000	20,185,000	22,634,147
Endowment Earnings Reserve	19,298,183	28,342,574	53,900,728	91,422,627
Continuously appropriated expenditures for manager fees, custodian fees (paid from trust funds)	2,534,600	2,178,500	2,542,700	3,205,758
<b>Total Market Value of Investments</b>				
Public School Endowment Funds	451,109,000	516,097,000	568,655,000	640,943,808
Other Funds	211,739,000	245,364,000	274,143,000	308,890,481
<b>Total Endowment Funds</b>	\$ 662,848,000	\$ 761,461,000	\$ 842,798,000	\$ 949,834,289
State Insurance Fund	311,766,000	357,817,000	413,369,000	472,941,092
Judges' Retirement Fund	46,807,000	51,190,000	53,720,471	57,285,483

\* FY 2006 distribution is net of a \$4,600,000 transfer from the General Fund to two endowments. Distributions of \$35,845,600 and \$38,617,000

have been approved for FY2007 and FY 2008, respectively.

\*\* Interest and dividends, excluding capital gains.

**Part II – Performance Measures (returns gross of fees)**

Performance Measure/Benchmark	2003	2004	2005	2006	4-Year Average
<b>1. ABSOLUTE RETURN:</b>					
<b>A. Endowment Fund - Real Return</b>	-2.8%	13.5%	7.2%	6.6%	6.1%
<i>Real return (net of inflation) greater than 4%</i>					
<b>B. JUDGES' RETIREMENT FUND - Total Return</b>	2.1%	12.5%	7.7%	9.4%	7.9%
<i>Annual total return to exceed 7.75%</i>					
<b>2. RETURN VS. BENCHMARK:</b>					
<b>A. ENDOWMENT FUND - Total Return</b>	-0.7%	16.8%	9.7%	10.9%	9.2%
<b>Benchmark</b>	4.1%	14.2%	8.6%	8.7%	8.9%
<b>Excess</b>	-4.8%	2.6%	1.1%	2.2%	0.3%
<i>Exceed benchmark (56% Russell 3000, 14% EAFE, 30% Lehman Aggregate) on a risk-adjusted basis</i>					
<b>B. JUDGES' RETIREMENT FUND - Total Return</b>	2.1%	12.5%	7.7%	9.4%	7.9%
<b>Benchmark</b>	4.1%	14.2%	8.6%	8.7%	8.9%
<b>Excess</b>	-2.0%	-1.7%	-0.9%	0.7%	-1.0%
<i>Exceed benchmark on a risk-adjusted basis</i>					
<b>C. STATE INSURANCE FUND - Total Return</b>	6.8%	2.6%	5.4%	1.2%	4.0%
<b>Benchmark</b>	8.8%	2.7%	5.6%	1.1%	4.6%
<b>Excess</b>	-2.0%	-0.1%	-0.2%	0.1%	-0.6%
<i>Meet or exceed the benchmark (13% Rus 3000, 30.45% Leh Agg, 30.45% Leh Gov.Credit, 17.4% M/L 1-3 yr. Treas, 8.7% TIPS)</i>					
<b>3. RETURN VS. PEERS:</b>					
<b>A1. ENDOWMENT FUND - Total Return</b>	-0.7%	16.8%	9.7%	10.9%	9.2%
<b>Balanced Median Return</b>	2.7%	11.9%	7.3%	12.7%	8.7%
<b>Excess</b>	-3.4%	4.9%	2.4%	-1.8%	0.5%
<i>Exceed the median of peers on a risk adjusted basis</i>					
<b>A2. ENDOWMENT FUND - Total Return</b>	-0.7%	16.8%	9.7%	10.9%	9.2%
<b>Public Funds Universe</b>	4.3%	16.5%	10.4%	10.0%	10.3%
<b>Excess</b>	-5.0%	0.3%	-0.7%	0.9%	-1.1%
<i>Exceed the median of peers on a risk adjusted basis</i>					
<b>B1. JUDGES' RETIREMENT FUND - Total Return</b>	2.1%	12.5%	7.7%	9.4%	7.9%
<b>Balanced Median Return</b>	2.7%	11.9%	7.3%	12.7%	8.7%
<b>Excess</b>	-0.6%	0.6%	0.4%	-3.3%	-0.7%
<i>Exceed the median of peers on a risk adjusted basis</i>					
<b>B2. JUDGES' RETIREMENT FUND - Total Return</b>	2.1%	12.5%	7.7%	9.4%	7.9%
<b>Public Funds Universe</b>	4.3%	16.5%	10.4%	10.0%	10.3%
<b>Excess</b>	-2.2%	-4.0%	-2.7%	-0.6%	-2.4%
<i>Exceed the median of peers on a risk adjusted basis</i>					

<b>Performance Measure/Benchmark</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>4-Year Average</b>
<b>4. The length of time that the Public School Permanent Fund is below the loss benchmark</b> <i>Less than 10 years below the cumulative loss benchmark</i>	3 yrs	4 yrs	5 yrs	0 yrs	
<b>5. The quality of recommendations to the Land Board regarding the level of distributions</b> <i>No reduction in the total endowment distribution</i>	\$57.0 M.	\$55.1 M.	\$37.4 M.	\$35.7 M.	2007: \$35.8 M. 2008: \$38.6 M.
<i>Within 10 years, increase distributons for each beneficiary to 4% of the value of its endowment fund plus the average of the last five years' cash earnings from its endowment lands</i>					New Measure

#### For More Information Contact

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